

D.P.U. 96-1C

Application of Boston Edison Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 592-A, for approval by the Department of Public Utilities of a new annual fuel and purchased power adjustment charge and New Performance Adjustment Charge to be billed to the Company's customers pursuant to meter readings in the billing months of August, September, and October 1996; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. and M.D.P.U. 545-A. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utility Regulatory Policies Act of 1978.

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FOR: BOSTON EDISON COMPANY  
Applicant

## I. INTRODUCTION

On July 2, 1996, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Boston Edison Company ("BECo" or the "Company") applied to the Department of Public Utilities ("Department") for quarterly review of its fuel charge<sup>1</sup> in conformance with its tariff, M.D.P.U. 592-A, and for approval of a quarterly change of its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 545-A. The Company requested that the charge be effective for bills issued pursuant to meter readings in the billing months of August, September, and October 1996. The matter was docketed as D.P.U. 96-1C.

Pursuant to notice duly issued, a public hearing on the Company's application was held on July 26, 1996, at the Department's offices in Boston. Notice of the hearing was published in the Boston Herald and The Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings.

In support of its filing, the Company sponsored one witness: Anne M. Lynch, senior research analyst in the fuel and power contracts department. The evidentiary record includes eight Company exhibits, two Department exhibits, and the Company's response to one record

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<sup>1</sup> On November 3, 1995, the Department approved an annual fuel charge proposed by the Company. Boston Edison Company, D.P.U. 95-1D at 17 (1995). Among other things, the annual fuel charge permits the Company to levelize the fuel charge, including the fuel cost component and the new performance adjustment charge, at \$0.03505 per month for the period November 1995 through October 1996. Id. The Company will apply interest to the difference between the cumulative over/under recovery amount under the annual fuel charge and the over/under recovery amount that would normally occur if a quarterly fuel charge were in effect. Id. at 16.

request of the Department.

BECo is a public utility engaged principally in the generation, purchase, transmission, distribution, and sale of electricity. The Company supplies retail electric service to an area of approximately 590 square miles encompassing the City of Boston and 39 surrounding cities and towns. BECo serves about 570,000 residential customers, 91,000 commercial customers, and 1,600 industrial customers. BECo also supplies wholesale electricity to other utilities and municipal electric departments.

The Company's last base rate increase occurred in November of 1994 as a result of the Department's approval of a settlement agreement ("1992 Settlement") in Boston Edison Company, D.P.U. 92-92 (1992). The Company's previous base rate increase before D.P.U. 92-92 occurred in October 1989 as a result of the Department's approval of a settlement agreement ("1989 Settlement") in Boston Edison Company, D.P.U. 88-28/88-48/89-100 (1989).

## II. FUEL CHARGE

On July 22, 1996, the Company filed with the Department its calculations of its fuel charge and proposed changes to its QF power purchase rates for the billing months of August, September, and October 1996. The Company's fuel charge is composed of a fuel cost component and a New Performance Adjustment Charge ("NPAC") levied in accordance with the 1989 Settlement. The fuel charge also includes a reconciliation of the Fossil Generation Performance Adjustment Charge ("FGPAC"), which, in accordance with the 1992 Settlement, was in effect for the three-year period ending October 31, 1995.

### A. FUEL COST COMPONENT

In Boston Edison Company, D.P.U. 95-1D (1995) ("D.P.U. 95-1D"), the Department approved an annual fuel cost component of \$0.02935 for the period November 1, 1995 through October 31, 1996. In D.P.U. 95-1D at 17, the Department accepted the Company's proposal to establish a \$20 million threshold which would cause an interim fuel charge adjustment. In Boston Edison Company, D.P.U. 96-1B (1996), the Department approved an adjusted annual fuel cost component of \$0.03161 per kilowatthour ("KWH"), given that the Company had projected an under-recovery position greater than the \$20 million threshold established in D.P.U. 95-1D. For the billing months of August, September, and October 1996, the Company again proposes to change the annual fuel cost component of \$0.03161 per KWH to \$0.03304 per KWH (Exh. DPU-2, revision 3). The Company projects that it will under-recover approximately \$20.2 million as of October 31, 1996 (id. at 6). The Company stated that this under-recovery resulted, in part, from a net increase in the proposed fuel adjustment clause expenses attributed to higher than forecast unit fuel prices (Tr. at 20). The Company also documented that the under-recovery resulted in part from the inclusion of a portion of the \$9.2 million associated with a settlement with JMC Altresco, Inc. ("Altresco") (id. at 21).<sup>2</sup> The Company noted that changes in the generation mix partially offset the increase due to unit fuel prices (id.).

Since the Company projects a \$20.2 million under-recovery, which exceeds the \$20 million threshold established in D.P.U. 95-1D, the Company proposes to reconcile the fuel

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<sup>2</sup> On April 17, 1996, the Company and Altresco filed with the Department a joint motion for approval of settlement and agreement and termination of proceeding which provided that the Company pay to Altresco \$9.2 million on the condition that such amount be recovered in the Company's fuel charge during 1996 as any other recoverable fuel and purchased power expense. On April 26, 1996, the Department approved the settlement. Boston Edison Company, D.P.U. 92-130-D.

factor calculation (Exh. DPU-2, revision 3). The Company proposes to collect one-quarter of the cumulative under-recovery in the fuel cost component for the remaining three months of the annual fuel charge period, that is August 1, 1996 through October 31, 1996 (*id.*). The remaining three quarters of the cumulative under-recovery will be reconciled in the fuel charge beginning November 1, 1996.<sup>3</sup>

#### B. NEW PERFORMANCE ADJUSTMENT CHARGE

In accordance with the terms of the 1989 Settlement, a Performance Adjustment Charge ("PAC") went into effect for the three-year period beginning November 1, 1989. See BECo Tariff M.D.P.U. 783. The 1989 Settlement further provided that beginning November 1, 1992, an NPAC would take the place of the PAC (1989 Settlement at 8). See BECo Tariff M.D.P.U. 784. The NPAC will remain in effect until October 31, 2000 (1989 Settlement at 11).

As defined in the 1989 Settlement, the NPAC is calculated as:

NPAC =  $[(\text{POUT} \times \text{PRAT}) + \text{SALP} + \text{PIA}]/\text{KWH}$ , where

POUT = one-third of the Company's retail share of the KWHs of net power generated at Pilgrim during the performance year<sup>4</sup> during which the NPAC will be in effect;

PRAT = the Pilgrim Cent-Per-KWH Rate established under the 1989 Settlement;

SALP = a Systematic Assessment of Licensee Performance Adjustment;

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<sup>3</sup> In D.P.U. 95-1D, the Company proposed that interest be calculated on the cumulative over/under-recovery position above what would normally occur if a quarterly fuel charge was in effect. This interest will be returned to or recovered from customers and will be reflected in the Company's October 1996 filing, following the end of the annual fuel charge term.

<sup>4</sup> The term "performance year" shall refer to any of the eleven consecutive twelve-month periods beginning November 1, 1989 (1989 Settlement at 9-11).

PIA = a Performance Indicator Adjustment; and

KWH = the estimated number of KWHs to be sold by BECo under rates subject to the Department's jurisdiction during the applicable performance year (1989 Settlement at 9-11).

The product of the POUT multiplied by the PRAT, referred to by the Company as the Capacity Factor Adjustment ("CFA"), for the twelve-month period from November 1, 1995 to October 31, 1996 is \$72,174,176 (Exh. BE-4, at 3). The CFA is based on a forecasted 94 percent Pilgrim annual capacity factor for the 1995-1996 performance year (id.).

The SALP Adjustment is based on Pilgrim's average SALP score issued by the U.S. Nuclear Regulatory Commission ("NRC") (1989 Settlement at 9). The NRC issued its SALP evaluations on November 16, 1995 and May 22, 1996. The weighted average SALP score for Pilgrim is 1.47 (Exh. BE-4, at 3). The 1989 Settlement provides that for each one tenth of a point that the SALP score improves upon (i.e., is lower than) 1.6, \$500,000 will be added to the NPAC costs to be recovered over the remainder of the performance year (1989 Settlement at 9-11); thus, an increase of \$50,000 will be made for each hundredth of a point by which the SALP score is less than 1.6. Since the Company's score is 1.47, thirteen hundredths of a point less than 1.6, the Company has included a positive adjustment of \$650,000 (\$50,000 x 13) in the calculation of the NPAC (Exh. BE-4, at 4).

The PIA contains five individual measures reflecting performance at Pilgrim:

(a) Automatic Scrams While Critical; (b) Safety System Failures; (c) Safety System Actuations; (d) Collective Radiation Exposure; and (e) Maintenance Backlog Greater Than Three Months Old (1989 Settlement at 9-11). The PIA is based on Pilgrim's performance relative to the industry.

The Company received a letter dated January 26, 1996, from the NRC, indicating that: (1) the 1994 industry average for Automatic Scrams While Critical was 1.0; (2) the 1994 industry average for Safety System Failures was 2.0; and (3) the 1993 industry average for Safety System Actuations was 1.0 (Exh. BE-4, at 4-5). During the period September 10, 1993 through March 31, 1995, the Company has not experienced any events that it believes the NRC would deem Automatic Scrams While Critical (id. at 4). The Company has experienced one of these occurrences in April 1996 (Tr. at 16).

Under the 1989 Settlement, for each performance year in which there are no occurrences of Automatic Scrams While Critical, there shall be a positive adjustment equal to \$100,000 (1989 Settlement at 10). The 1989 Settlement also provides that for each three month period subsequent to such a performance year in which there continue to be no occurrences, the component for this indicator shall be increased in the next following quarter by \$50,000 (id. at 10). For the forecast quarter, the Company has proposed (1) a positive adjustment of \$50,000 for the 1995-1996 performance year; and (2) a preliminary reconciliation of the Automatic Scrams While Critical for the 1994-1995 performance year of \$100,000 (Exh. BE-4, at 3-4, 8). For the purposes of calculating the performance adjustment charge, the Company estimated that Pilgrim's performance on the remaining four indicators for the 1995-1996 performance year will fall within the neutral zone (id. at 4-6). Accordingly, the Company forecasts the PIAs for these indicators in the current period to be zero (id.).

However, the Company proposed to include a reconciliation of these four indicators for the 1994-1995 performance year (id. at 7). During the period November 1, 1994 through

June 30, 1995, the Company experienced four events that it believes the NRC would deem Safety System Failures and no events it believes the NRC would deem Safety System Actuations (id.).

With reference to the Safety System Failures indicator, the 1989 Settlement provides that for each performance year in which the number of occurrences at Pilgrim for this indicator is more than one occurrence in excess of the industry mean for that indicator, there shall be a negative adjustment of \$150,000 (1989 Settlement at 10). The Company proposes to include a negative adjustment of \$150,000 (Exhs. BE-1, at 10; BE-4, at 9). With reference to the Safety System Actuations indicator, the 1989 Settlement provides that for each performance year in which there are zero occurrences for this indicator, there shall be a positive adjustment equal to \$100,000 (1989 Settlement at 10). The Company proposes to include a positive adjustment of \$100,000 (Exh. BE-4, at 10).

The Institute of Nuclear Power Operations ("INPO") issued a report entitled "Performance Indicators for the U.S. Nuclear Utility Industry, 1994 Year-End Report" indicating that the median value of the collective radiation exposure performance of all boiling water reactors ("BWRs") was 322 man-rem per unit per year (id. at 11). As of September 30, 1995, the exposure to Pilgrim employees was approximately 503.8 man-rem (id. at 11). The Company is projecting an additional 7.7 man-rem of exposure through October 1995 to bring the total collective annual radiation exposure to 511.5 man-rem (id.). Under the 1989 Settlement, for each performance year in which the number of man-rem of exposure is more than 25 percent greater than the median value of the most recent three year performance for all other BWRs, a negative amount equal to \$2,000 for each man-rem of exposure by which this indicator is more



than 25 percent higher than the median shall be added to the NPAC (1989 Settlement at 10). For the forecast quarter, the Company has proposed a negative adjustment of \$218,000 for the Collective Radiation Exposure component of the PIA (Exh BE-4, at 11).

INPO no longer provides the data used to calculate the Maintenance Backlog Greater Than Three Months Old. Therefore, the Department approved the use of the median value of 54.4 percent, as contained in the final 1990 INPO report, as the industry average for this indicator. Boston Edison Company, D.P.U. 93-1A at 13-14. For the period November 1, 1994 through October 31, 1995, the Company's Maintenance Backlog Greater Than 3 Months Old was 27.9 percent (BE-4, at 11). Under the 1989 Settlement, for each performance year in which the percentage of the corrective Maintenance Backlog More Than Three Months Old is more than five percentage points below the median percentage of that indicator for all other nuclear power plants, a positive amount equal to \$15,000 for each percentage point by which this indicator is more than five percentage points below the industry median will be added to the NPAC (1989 Settlement at 10). For the forecast quarter, the Company has proposed a positive adjustment of \$300,000 for the Maintenance Backlog Greater Than 3 Months Old component of the PIA (Exh. BE-4, at 11).

According to the terms of the 1989 Settlement, the PAC and the NPAC may be calculated using estimates of these performance factors (1989 Settlement at 7, 11). The 1989 Settlement also provides that the Company shall reconcile any estimates used in calculating a quarterly PAC or NPAC when final information concerning the performance factor values becomes available (id.). The NPAC may change on a quarterly basis because the Company's forecast of retail KWH

sales has changed or because the Company has under- or over-recovered revenues from the previous quarter. The Performance Adjustment Charge and each of its components are subject to reconciliation at the conclusion of each twelve-month period.

However, in D.P.U. 95-1D at 15, the Department approved a proposal to offset any NPAC increase against any projected over-recovery position, which established an annualized NPAC. In D.P.U. 95-1D, the Department approved an NPAC of \$0.00570 for the period November 1995 through October 1996. Accordingly, the Company proposes no change to the NPAC for August, September, and October 1996 (Exh. BE-1, at 11).

The Company, nonetheless, provided a calculation of what the NPAC would have been for the current quarter had the NPAC not been levelized (Exh. BE-4). The Company stated that the NPAC would have been \$0.00575 per KWH, an increase of \$0.00005 per KWH from the NPAC currently in effect (Exh. BE-1, at 9). The Company stated that the proposed increase is attributed to (1) higher than forecasted actual capacity factors for the Pilgrim unit in the months of November 1995 through June 1996; (2) a positive adjustment of \$50,000 for the performance indicator Automatic Scrams While Critical for the performance year 1995 through 1996; and (3) positive adjustments of \$100,000 for each of the performance indicators Automatic Scrams While Critical and Safety Systems Actuations for the performance year 1994 through 1995 (Exh. BE-1, at 10). The Company noted that these positive adjustments were partially offset by a negative adjustment of \$150,000 for the performance indicator Safety System Failures, a negative adjustment of \$218,000 for the Collective Radiation Exposure Indicator, and a negative adjustment of \$1.1 million for SALP adjustment for the performance year 1995 through 1996<sup>5</sup>

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(id.; Exh. BE-4, at 7). The Company used the difference in the revenue between the two factors as an offset in the fuel adjustment charge (Exh. BE-1, at 9).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are filed at the time of the fuel adjustment charge filing. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

In the response to the Department's first record request, the Company proposed the following standard rates to be paid to QFs during August, September, and October 1996:

#### Energy Rates By Voltage Level (Dollars/KWH)

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<sup>5</sup> In D.P.U. 96-1B, the Company forecasted a positive adjustment of \$1,750,000 for the SALP adjustment for the performance year 1995-1996, based on a SALP score of 1.25. The Company received a new SALP report on May 22, 1996 which resulted in a weighted average score of 1.47, and an actual SALP adjustment of \$650,000 (id. at 14-15). Accordingly, the Company has included a negative adjustment of \$1.1million (id.).

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
115 KV	0.02974	0.02100	0.02363
14 KV	0.03025	0.02131	0.02400
4 KV	0.03044	0.02143	0.02414
Secondary	0.03106	0.02182	0.02460

Short-Run Capacity Rates (Dollars/KWH)

<u>Voltage Level</u>	<u>Short-Run Capacity Rate</u>
115 KV	0.02914
14 KV	0.02996
4 KV	0.03040
Secondary	0.03137

#### IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of August 1996 through October 1996 shall be \$0.03874 per KWH, subject to refund and to quarterly review. The fuel charge shall be comprised of a fuel cost component calculated as shown in Table 1 attached to this Order, and a New Performance Adjustment Charge calculated as shown in Table 2 attached to this Order; and

2. that the QF power purchase rates for August, September, and October 1996 shall be the rates set forth in Section III of this Order.

#### V. ORDER

Accordingly, after due notice, hearing, and consideration, it is

ORDERED: That Boston Edison Company is authorized to put into effect a fuel charge of \$0.03874 per kilowatthour as set forth in Section IV, Finding 1, of this Order for bills issued

pursuant to meter readings in the billing months August, September, and October 1996, subject to refund; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of August, September, and October 1996 shall be those stated in Section III and found to be proper in Section IV of this Order; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings, if any, that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings, if any, with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), the fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the period applicable to the present charge; and it is

FURTHER ORDERED: That the fuel charge shall appear as a separate item on all

customers' electric bills and shall be referenced with a footnote that will identify each customer's fuel cost component and will explain that the fuel charge also includes the New Performance Adjustment Charge.

By Order of the Department,

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Mary Clark Webster  
Commissioner

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Janet Gail Besser  
Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).